



OFFICE OF
**INSPECTOR
GENERAL**
UNITED STATES POSTAL SERVICE

HIGHLIGHTS

June 4, 2014

Award of the Diebold, Inc. Contract

Report Number SM-AR-14-005

BACKGROUND:

U.S. Postal Service maintenance mechanics traditionally have repaired and changed locks for Postal Service-owned mailboxes. To reallocate maintenance mechanics from the field to mail processing facilities, Western Area Maintenance Operations asked Supply Management to contract this work.

The Postal Service awarded a contract to Diebold, Inc. on September 22, 2010, to repair and change locks in the Western Area. On November 10, 2011, the American Postal Workers Union filed a grievance with the Postal Service, which was initially denied and later arbitrated on July 6, 2012. The arbitrator found in favor of the American Postal Workers Union and ordered the Postal Service to terminate the Diebold contract, which it did on December 31, 2013, having paid Diebold \$18,399,448 between January 2012 and November 2013.

Our objective was to determine whether the Postal Service awarded the Diebold contract in accordance with Postal Service policies and procedures.

WHAT THE OIG FOUND:

The Postal Service did not award the Diebold contract in accordance with Postal Service policies and procedures. Officials did not develop a purchase plan or conduct a price analysis before awarding the contract. As a result,

contracting officials did not assess price reasonableness or obtain higher level review and approval as required. We found the Postal Service did not conduct an analysis to establish that contract payments of \$18,399,448 provided the best value, although this does not necessarily indicate the Postal Service incurred losses.

Further, officials inadequately analyzed Postal Service internal lock repair and maintenance costs. Based on our calculations, they overestimated the annual cost savings by \$6,839,456 per year and outsourced the work to Diebold based on this inflated cost savings assumption.

WHAT THE OIG RECOMMENDED:

We recommended management train contracting officials on Postal Service policies and procedures for developing purchase plans and conducting price analysis. We also recommended management develop a process to capture and analyze applicable data to support internal cost estimates when considering outsourcing in the future.